## Ongoing violence in Venezuela highlights a divided country

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Originally published March 15, 2014

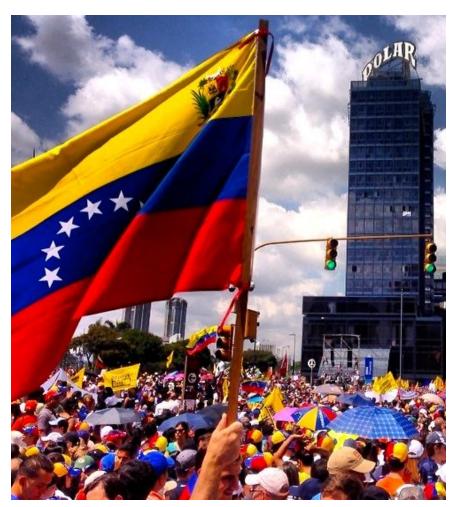


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For the better part of 2014, anti-government <u>protests</u> have been raging in Caracas, the capital of Venezuela. These protests received international attention when three people were killed on February 12th. Since then violence on the street has claimed 17 lives and injured hundreds of people. The protests, ostensibly anti-government in nature, were <u>sparked</u> by poor economic growth. Tensions have been brewing since the death of Hugo Chávez one year ago. Elections to replace Mr Chávez, which

brought Nicolás Maduro to power, were widely viewed as fraudulent. So far, little has been done that has quieted the opposition, spurred on by the rally cries of their leader Leopoldo López; Mr López was jailed for inciting violence on February 12th.

The Venezuelan protest movement comprises a coalition of students, who are relatively conservative compared to students in other countries; members of the main opposition umbrella organization Table for Democratic Unity (MUD); and members of the middle class. The protesters have three common immediate demands: all want the release of the two to five hundred protesters arrested in mid-February (the count varies depending on source), an investigation of alleged torture by the police and other security forces, and the disarmament of pro-government thugs, known as colectivos ("collectives"). Students and members of the opposition are protesting against state censorship, demanding free flow of information. The middle class, and the opposition politicians they support, is voicing concern about the situation of the economy. In 2013, inflation topped 55%, and many consumer staples, such as toilet paper and toothpaste, are difficult to come by. Crime is pervasive and worsening in many cities, as well as in rural areas, and opposition leaders blame Mr Maduro's government for failing to protect the people and punish criminals. The opposition is also calling for fresh elections; the past year's election, in which Mr Maduro won a slim majority, was rife with fraud, bullying, and vote buying, according to opposition leaders. At the extreme end, some MUD hardliners refuse to stand down until Mr Maduro resigns, arguing corruption and state-sanctioned violence are irredeemable crimes against the people.

Despite the intensity of the past few weeks, Mr Maduro seems unlikely to stand down. This is because the majority of Venezuelans still support Mr Maduro; he has continued almost all of the economic policies of his predecessor, Mr Chávez, designed to ensure the loyalty of the country's poor. The Chávista movement, built up over a decade-and-a-half political career, maintains support from a powerful base, unlikely to waver even in the face of mounting disorder and economic trouble.

There are three main potential outcomes from the protests. First, Mr Maduro could step down and call fresh elections. This, however, is extremely unlikely to happen, due largely in part to the support he continues to enjoy from his base, described above. Second, the government could repress and ultimately ignore the demands of the protestors. This has, for the most part, been the case so far, but continuing with this line of behavior threatens the government's long-term stability. A brutal repression could turn Mr Maduro's Chávista base against him, thus setting the stage for his ultimate downfall. Third, Mr Maduro could negotiate with the opposition. This final option is, although unlikely, not impossible. But it is unclear how many

concessions Mr Maduro would be willing to make. Whatever happens, any solution would hinge on the well-being of the economy.

The Venezuelan <u>economy</u> took a rapid nosedive after the death of Mr Chávez one year ago. The quickness of this downturn may lead to a stronger association of Mr Chávez with the good times and Mr Maduro with the bad, thereby cementing Mr Chávez's reputation. Nevertheless, Mr Maduro has pursued economic policies in nearly exactly the same vein as his predecessor. The reasons for the dramatic tumble in Venezuela's economic prospects are diverse.

Mr Chávez built a socialist state heavily dependent on borrowing, especially from his ally China. When Mr Chávez died, the risk of default increased and so did the premium on China's loans and investments in Venezuela. This made it extremely difficult to manage Mr Maduro's inherited debt. This debt was accumulated from years of overzealous socialism under Mr Chávez and recently increased by his extremely expensive final reelection campaign and Mr Maduro's election campaign.

Currently, prices in Venezuela are astronomical, and shortages are endemic. The only good in abundance seems to be oil. Petroleum became the mainstay of the economy under Mr Chávez. While heavy regulation strangled nearly every other industry, Venezuela's oil boom allowed it to maintain a functioning economy but made the economy increasingly less diverse. For years, Venezuela attempted to make its lopsided economy less precarious by playing with exchange rates and protecting domestic markets. This policy led to enormous inflation, however, which Mr Maduro attempted to tame by limiting access to the artificially lowered rate to only state owned companies. This attempt to fight inflation led to greater shortages and a general downturn in economic activity. The resultant rioting and unrest has only further crippled the economy. And so, economic poverty led to a socialist state, which led to more economic poverty, which led to unrest and a repressive state, which has finally caused outright economic privation. While Mr Maduro may very well be able to hold his regime together, the future of Venezuela is not promising.

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